

IOWA RACING AND GAMING COMMISSION

MINUTES

JANUARY 15, 2009

The Iowa Racing & Gaming Commission (IRGC) met on Thursday, January 15, 2009 at Stoney Creek Inn and Conference Center, Johnston, Iowa. Commission members present were Greg Seyfer, Chair; and members Kate Cutler, Paul Hayes and Toni Urban. Vice Chair Diane Hamilton was absent.

Chair Seyfer called the meeting to order at 8:30 AM, and requested a motion to approve the agenda. Mr. Ketterer noted that item 5B, a joint presentation by The 360 Group and Terrible's Lakeside Casino regarding a hotel expansion has been deferred, but would be replaced by a presentation by Gerry Neugent, a Prairie Meadows Racetrack & Casino (PMR&C) board member on PMR&C's proposed hotel project.

Hearing no further changes to the agenda, Chair Seyfer requested a motion. Commissioner Cutler moved to approve the agenda as amended. Commissioner Hayes seconded the motion, which carried unanimously.

Chair Seyfer moved to the approval of the minutes from the November 13, 2008 Commission meeting. Commissioner Urban moved to approve the minutes from the November 13, 2008 Commission meeting as submitted. Commissioner Cutler seconded the motion, which carried unanimously.

Chair Seyfer moved to announcements, and called on Jack Ketterer, Administrator of IRGC. Mr. Ketterer provided the following information on upcoming Commission meetings:

- February – No Meeting
- March 5, 2009 – Terrible's Lakeside Casino, Osceola, IA (Submissions due by February 19, 2009)
- April 16, 2009 – Wild Rose Clinton, Clinton, IA (Submissions due by April 2, 2009)
- June 4, 2009 – Stoney Creek Inn, Johnston, IA (Submissions due by May 21, 2009)

Mr. Ketterer noted that the March meeting is when the Commission renews the licenses for the excursion boats and gambling structures, and will receive an update from the companies performing the gaming studies to identify unserved or underserved markets. He advised that the April meeting would be held at the new Wild Rose Clinton facility. The Commission will review the audits or financial statements of the licensees except for the Isle of Capri (IOC) properties, which have a fiscal year end that does not coincide with the calendar year. The June meeting will be held at Stoney Creek Inn and the Commission will receive the final report from the companies on the gaming markets.

Chair Seyfer moved to the rules submitted under Notice of Intended Action. Mr. Ketterer stated that the majority of the rules being submitted were clarifications. Items 1 and 6 include biologic substances and chemical substances which are prohibited. Those are substances that would affect the speed of a horse. The rule regarding jock mount fees has been deleted; they are now governed by an agreement between the horsemen and the jockeys. Item 4 relates to the naming/engaging of riders by the first or second call which excludes trial races. Item 5 states that a horse may only be entered in one race per day unless one of the races is a stakes race. Item 7 inserts the language "or implements of gambling" that conforms to statutory language. Item 8 deals with the method of communication for the wide area progressive system, stating that it must consist of dedicated on-line communication lines or an equivalent as determined by the administrator, to allow for changes in technology.

Mr. Ketterer recommended the above rule changes be approved for Notice of Intended Action. Hearing no comments or questions concerning the proposed rule changes, Chair Seyfer requested a motion. Commissioner Cutler moved to approve the rules as submitted for Notice of Intended Action. Commissioner Hayes seconded the motion, which carried unanimously. (See Order No. 09-01)

Chair Seyfer called on Terrible's Lakeside Casino. Jim Quilty, legal counsel, and DJ Christensen, Internal Auditor for Lakeside, requested approval to remove and sell the thrusters from the boat and change the status of the Lakeside facility from an excursion boat that will not cruise to a moored barge. Mr. Quilty advised that two of the four thrusters have already been removed; the other two are to be removed on Friday, eliminating the boat's means of self-propulsion. He stated that the facility is already being inspected as a land-based facility.

Chair Seyfer called for any questions of Mr. Quilty. Hearing none, Chair Seyfer requested a motion. Commissioner Hayes moved to approve Lakeside's request to remove and sell the thrusters and change the license status of Lakeside Casino to a moored barge. Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 09-02)

Chair Seyfer moved to contract approvals and called on Wild Rose Emmetsburg (WRE). Tom Timmons, Vice President of Operations for Wild Rose Entertainment, presented the following contracts for Commission approval:

- MediaCom- Cable TV Service for Casino & Hotel
- Triple Point Solutions – Hardware & Installation of Sentinel III

Commissioner Urban asked each facility to address how they are doing economically, employees, etc.

Mr. Timmons stated that the economy could be having an impact, but that the weather is definitely impacting business. He noted that on Monday night (1/12), Emmetsburg was

completely shut off in all directions. He voiced his opinion that probably most of the facilities saw a decline in business for the month of December.

Hearing no comments or questions concerning the contracts, Chair Seyfer requested a motion. Commissioner Cutler moved to approve the contracts as submitted by WRE. Commissioner Urban seconded the motion, which carried unanimously. (See Order No. 09-03)

Chair Seyfer called on IOC Bettendorf (IOCB). Curt Beason, legal counsel, presented the following contracts for Commission approval:

- Ford Food Service – Provides Food Service Equipment
- Edward Don – Provides Kitchen Items & Appliances

Mr. Beason advised that the above contracts relate to the new Event Center, which will be opening on January 24th.

Hearing no comments or questions concerning the contracts, Chair Seyfer requested a motion. Commissioner Cutler moved to approve the contracts as submitted by IOCB. Commissioner Urban seconded the motion, which carried unanimously. (See Order No. 09-04)

Chair Seyfer called on Ameristar Casino. Jane Bell, Director of Government & Community Affairs, presented a contract with Cintas for linen rental/uniform purchase.

Hearing no comments or questions concerning the contract, Chair Seyfer requested a motion. Commissioner Cutler moved to approve the contract as submitted by Ameristar. Commissioner Urban seconded the motion, which carried unanimously. (See Order No. 09-05)

Ms. Bell advised that business at Ameristar was static; that December business year-over-year declined. Ameristar felt it necessary to reduce staff through attrition and elimination of positions.

Chair Seyfer called on Riverside Casino & Golf Resort (RCGR). Joe Massa, General Manager, presented the following contracts for Commission approval:

- AC Coin & Slot Service Company, Inc. – Slot Lease and License Agreement
- First Administrators, Inc. – Health Plan Benefit Administrator
- Kidder Benefits Consultants, Inc./Nationwide Investments – 401(k) Plan Consultant/Custodian
- MedOne Healthcare Systems – Prescription Drug Benefit Plan 2009
- State University of Iowa Hospital and Clinics – Health Plan Costs 2009 – Medical
- Vital Support Systems – Network Support Agreement

Hearing no comments or questions concerning the contracts, Chair Seyfer requested a motion. Commissioner Cutler moved to approve the contracts as submitted by RCGR. Commissioner Urban seconded the motion, which carried unanimously. (See Order No. 09-06)

Mr. Massa stated that business has certainly been challenging; that it is hard to determine the effect of the economic impact due to the weather. He indicated that eventually there will be an impact as people lose their jobs. He noted that several manufacturers in the immediate area have instituted layoffs.

Chair Seyfer called on Wild Rose Clinton (WRC). Tim Bollmann, General Manager, presented the following contracts for Commission approval:

- Alliant Energy – Utility Gas & Electricity Products
- Aristocrat Gaming – Purchase of Slot Machine Parts & Conversions
- Bally Gaming, Inc. – Purchase of Slot Machine Parts & Conversions
- Data Business Equipment, Inc. – Purchase of Service Agreement for Cage Equipment & Kiosks
- Konami Gaming, Inc. – Purchase of Slot Machine Parts & Conversions
- Quest Entertainment, Inc. – Purchase of Slot Machine Parts & Conversions
- SESAC, LLC – License Agreement Authorizing Performance of Copyrighted Compositions by Hotels, Motels and Resorts
- Sysco Food Services of Iowa – Purchase of Food Products & Restaurant Supplies
- Thoms Proestler Co. – Purchase of Food Products and Restaurant Supplies
- Triple Point Solutions – IT Consulting, Technology, Systems and Equipment

Hearing no comments or questions concerning the contracts, Chair Seyfer requested a motion. Commissioner Urban moved to approve the contracts as submitted by WRC. Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 09-07)

Mr. Bollmann stated that WRC was one of three properties to experience an increase in year-over-year business, which he attributed to the new facility and amenities that were not available at the previous property. He concurred with everyone else in stating that it is hard to determine which dollar lost is due to the economic downturn or the weather. He also noted that WRC's market has been impacted by the opening of the new Jumer's property in Rock Island in December, and the land-based Diamond Jo property in Dubuque. He stated the week between Christmas and New Year's was great.

Chair Seyfer called on Diamond Jo Dubuque (DJ). Mr. Beason presented the following contracts for Commission approval:

- Medical Associates Health Plan – Employee Health Insurance
- Platinum Holdings, LLC – Term Loan/Community Investment

Mr. Beason advised that the contract with Platinum Holdings will be submitted in final form at the March meeting, but the highlights were provided at this meeting so the transaction could proceed.

Commissioner Cutler asked why the loan was being called a “community investment”. Mr. Beason stated that this is a community loan to assist in the redevelopment of the hotel. This will be for a community amenity versus a Commission transaction.

Hearing no further comments or questions concerning the contracts, Chair Seyfer requested a motion. Commissioner Cutler moved to approve the contracts as submitted by DJ. Commissioner Urban seconded the motion, which carried unanimously. (See Order No. 09-08)

Chair Seyfer called on Dubuque Greyhound Park & Casino (DGP&C). Jesus Aviles, General Manager, presented the following contracts for Commission approval:

- Ainsworth Game Technology – Slot Machine & Equipment Purchase
- Bally Technologies – Purchase Slot Machines and Equipment
- Dubuque Glass – Glazing Work for Casino Renovations
- Five Season Painting & Drywall – Painting for Casino Renovations
- Flexsteel – Furniture for Casino Renovations (RP)
- Great Sounds Audio – Television & Audio Equipment Purchases
- Great Sounds Audio – Television & Audio Equipment Purchases
- Kluesner Construction – Parking Lot Construction & Repairs
- MMC Mechanical Contractors – Plumbing for Casino Renovations
- Midwest Automatic Sprinkler Co. – Fire Sprinkler for Casino Renovations
- Qwest – New Lines of Service
- Restaurant Design & Sales, LLC – Restaurant Equipment
- Sullivan Brothers Inc. – Ceiling Work for Casino Renovations
- Triplett Corporate Interiors – Furniture for Casino Renovations
- Wood Crafters – Casework for Casino Renovations

Hearing no comments or questions concerning the contracts, Chair Seyfer requested a motion. Commissioner Urban moved to approve the contracts as submitted by DGP&C. Commissioner Hayes seconded the motion, which carried unanimously. (See Order No. 09-09)

Mr. Aviles stated that DGP&C had a very good fiscal year, which ended November 30th. He indicated December was a challenge due to the economy, weather, and the new DJ property. DGP&C, like everyone else, is still trying to determine what is economy related. Mr. Aviles noted that gaming across the nation has suffered greatly. He also noted that DGP&C is under construction, throwing another element into the equation. Construction should be completed by the end of March.

Chair Seyfer advised that the issue of the tote board at Bluffs Run Greyhound Park is being deferred. The parties will be submitting Petitions for Declaratory Ruling to obtain an interpretation of the Commission's rule.

Chair Seyfer moved to the Economic Impact Study of All Racing Entities in the State by Dr. Richard Thalheimer, which was commissioned by the Iowa Horsemen's Benevolent & Protective Association (IHBPA), the Iowa Quarter Horse Racing Association (IQHRA), the Iowa Thoroughbred and Owners Association (ITBOA) and the Iowa Harness Horse Association (IHHA).

Scott Weiser, appearing on behalf of Leroy Gessman, stated that the presentation today is a follow-up to the November Commission meeting. Based on discussions at that meeting, Mr. Weiser stated that it appeared the Commission and PMR&C are searching for some answers on where horse racing should go in Iowa. One of the stumbling blocks is a lack of data as to what horse racing contributes and the economic impact. The horsemen's groups contracted with Dr. Thalheimer, who has an extensive background in equine and economic issues.

Dr. Thalheimer stated the objective of his study was to measure the economic impact of the racehorse industry in Iowa, regardless of where the horse owner might reside. This report is limited to the racehorse industry and the pari-mutuel side of PMR&C, but not the casino side.

Dr. Thalheimer stated the race horse industry is comprised of three sectors: the racetrack, the horsemen (owners and trainers) and the breeders. Unlike many states, three breeds race at PMR&C: thoroughbreds, quarter horses, and standardbreds. This study focused on estimating the economic impact of each breed in each of the sectors. Dr. Thalheimer pointed out that Iowa statute requires the racing revenue to be divided between the three recipients of the wagering revenue – the racetrack, horsemen (owners, breeders, and trainers) and state and local governments, as well as charitable organizations.

Dr. Thalheimer moved to the matter of purses, without which there would be no racehorse industry. When live racing is occurring at the racetrack, individuals bet more on the casino product, or approximately a 13% increase for PMR&C. Purses provide revenues to owners and trainers directly, and breeders through their effect on yearling values. As purses go up, yearling values increase, and the foal crop also increases, which causes more demand for land and green space.

The purses from PMR&C and the county fairs are intended to nurture the racehorse industry. Dr. Thalheimer stated that purses at PMR&C have increased from \$1.6 million in 1994 to \$18.3 million in 2007, a phenomenal increase. However, when the purse amount is adjusted for inflation, purses peaked in 2002, and have remained below the peak in inflation-adjusted dollars. In 2007, purses were 15% below what they were in 2002 in inflation-adjusted dollars. Dr. Thalheimer noted that PMR&C contributes directly to the state and county fairs for purses for harness racing.

Dr. Thalheimer then addressed some of the economic impact factors that were included in the study. He advised that PMR&C has direct expenditures for labor and other goods and services. The horsemen and breeders have owner and trainer expenditures for labor, feed and bedding, trainer commissions, jockey fees, veterinarian care and medicine, farrier, equine vanning/transport, board (layups/turnouts) and travel. Those in the breeding sector have expenses for labor, stud fees, veterinarian care and medicine, feed and bedding, auto-truck expense, board (layup/turnouts) depreciation, and nominations/registrations.

Dr. Thalheimer addressed the number of live racing days, noting the number of days has increased from 1995, the first year in which gaming revenues contributed to the purses. The live meet was a mixed meet – thoroughbred and quarter horse. The number of race days peaked from 2000 to 2003, with the number of racing days for all breeds declining, with variances between the breeds. Dr. Thalheimer pointed out that pari-mutuel revenue increases with live race dates at on and off track locations.

Dr. Thalheimer stated that the Iowa race horse industry generated a total economic impact of \$123 million in expenditures and 2,180 full-time equivalent jobs in 2007. The \$123 million was broken down between the racetrack, horsemen and breeders as follows: \$29.4 million, \$38.2 million and \$55.4 million respectively. All three sectors paid a total of \$13 million for labor in 2007. The purses of \$18.3 million generated direct spending of \$42 million in the owner-trainer and breeder sectors of the race horse industry.

Dr. Thalheimer concluded his remarks by stating that the future direction of the Iowa race horse industry is dependent on the interaction of many different factors depending on defined goals and objectives. Some of those are as follows:

- An increase in race days and/or horses-in-training per day results in:
 - Increased pari-mutuel revenue both on-track and from simulcasts of live races to other state and national betting locations
 - Increased slot machine revenue from the relationship of live racing to slot machines wagering
 - Increased spending and employment by the race horse industry.
 - Increased cost to the racetrack
- Growth in purses from gaming revenue results in:
 - Increased pari-mutuel wagering
 - Increased slot machine wagering through the support of live racing and race days
 - Increased demand and supply of race horse breeding stock
 - Increased spending and employment by the race horse industry
 - Uncertainty as to the future of live racing and associated purses in Iowa will likely result in a decline in the race horse industry.

A complete copy of Dr. Thalheimer's report is available in the Commission's Des Moines office, and is incorporated in its entirety by this reference.

Mr. Weiser introduced Iowa Secretary of Agriculture Bill Northey. Mr. Weiser stated that the horse racing industry has been working with Mr. Northey with regard to the Iowa Department of Agriculture's (IDALS) responsibility to promote and nurture the horse industry.

Mr. Northey stated that IDALS certifies the Iowa-bred horses and dogs, noting there are purses available just for Iowa bred horses and dogs. He stated that an important part of the industry is the breeding industry, which came about because of the economic difficulties in agriculture during the 1980's. Mr. Northey pointed out that the agriculture industry in Iowa is second in the nation; California is first. Agriculture accounts for approximately \$20 billion in sales in Iowa. He noted the 1980 era prompted much diversification in the agricultural area, one of which was the racing of dogs and horses. Mr. Northey pointed out that today's presentation addressed the economic impact around the Des Moines area, but noted that it is important to emphasize the impact of the horse and dog industry in the rural areas where the horse and dog farms are located. He stated that the smaller communities can see a bigger percentage economic impact than the larger communities. Mr. Northey invited the Commission members to ride along with an inspector to see the certification process, meet some of the breeders and see the impact on the local community.

Chair Seyfer called on PMR&C and their request for approval of the season approvals for the thoroughbred and mixed meet live race meets. Derron Heldt, Director of Racing, advised that an addendum had been added to the original submission; that on the last day of racing of the thoroughbred meet, Saturday, July 18th, there will be a minimum of nine races with a maximum of thirteen.

Mr. Ketterer reminded the Commission members of the late submission from the IHBPA that was not on the agenda asking for an additional two Sundays to be granted for racing at PMR&C, and the option of carding additional races if there were sufficient entries in each of the first two meets. He requested comments from Mr. Heldt and Gary Palmer, General Manager of PMR&C.

Mr. Palmer stated that he felt PMR&C was against adding days to the calendar that was submitted and approved by the Commission in November. He advised that the ancillary agreements with the different horsemen's groups contain a provision in the "Number of Races" section that states if there are sufficient entries and purse monies available, at the discretion of PMR&C, additional races would be added. He noted that in the current submission, PMR&C is looking at a minimum of nine races and a maximum of thirteen races.

Commissioner Urban clarified that PMR&C is not including extra days. Mr. Palmer answered in the affirmative, stating they are providing additional opportunities on the

days approved in November. He stated the provisions set out above have been included in previous ancillary agreements.

Commissioner Cutler asked if PMR&C has added extra days over the years. Mr. Palmer stated that PMR&C has not added days, but has added additional racing opportunities and is willing to do so again.

Chair Seyfer stated that it was his understanding from comments made by other Commission members that the Commission's sentiment is that the race dates were approved at the last meeting, and it is their hope that additional opportunities would be offered on the dates approved if there are sufficient entries.

Chair Seyfer called for any further comments or questions concerning the season approvals. Hearing none, he requested a motion, noting the staff recommendation for approval is contingent upon compliance with the following criteria:

- The immediate written notification of any change in racing official positions.
- The completion of necessary IRGC licensing and DCI backgrounds.
- Continuation of import/export simulcast contracts being reviewed and approved by IRGC staff.
- Prior notification and approval of any schedule changes: race days, post times, or the number of races.
- Continuing compliance of staff requests entered into the record at the November 08 Commission meeting.

Commissioner Urban moved to approve the season approval submission for the thoroughbred and mixed meets at PMR&C as submitted, contingent upon the above staff recommendations. Commissioner Hayes seconded the motion, which carried unanimously. (See Order No. 09-10)

Chair Seyfer moved to the additional contracts submitted by PMR&C. Mr. Palmer submitted the following contracts for Commission approval:

- Anderson Erickson Dairy Company – Purchase of Dairy Products
- Belin, Lamson, McCormick, Zumbach, Flynn – Corporate Legal Counsel
- Des Moines Trane Parts Center – Heating, Ventilation and Air Conditioning Parts & Service
- IKON Financial Services – Copier Equipment Lease
- Kronos Incorporated – Software License and Installation of Payroll Time Keeping System
- Midwest Ambulance of Iowa, Inc. – Ambulance and Emergency Medical Services
- Mission Creative – Advertising and Marketing Support Agency
- Occupational Health Center, PC – Company Doctor and Medical Review Officer
- Perficut Lawn & Landscape, Inc. – Lawn & Landscaping Services

Hearing no comments or questions concerning the contracts, Chair Seyfer requested a motion. Commissioner Cutler moved to approve the contracts as submitted by PMR&C. Commissioner Urban seconded the motion, which carried unanimously. (See Order No. 09-11)

Mr. Palmer stated that the Commission had requested that PMR&C be prepared to address the progress on a hotel at the property and a report from the Horse Racing Committee. At this time, Mr. Palmer distributed the following:

- An updated report on artificial track surfaces,
- The Initial Summary of Findings on hotels by HVS,
- Drawings of the Proposed Hotel, and
- An outline of today's presentation.

Mr. Palmer introduced several PMR&C Board members in attendance, including Mike Galloway, the new Board Chairman. At this point, Mr. Palmer called on Mr. Neugent, chair of the committee studying the hotel and parking issues at PMR&C.

Mr. Neugent advised that HVS was engaged in October 2008 to help the PMR&C Board make a decision concerning a hotel. He stated that the addition of a hotel and parking structure is a top priority for the PMR&C Board; the hotel and parking structure will compliment and help complete the existing facility and help PMR&C achieve its mission statement which states in part they are to "provide outstanding racing and gaming and entertainment that exceeds the expectations of their guests". Mr. Neugent indicated that the Board has determined that these amenities are necessary in order to better serve their market and increase gaming revenue.

Mr. Neugent provided the following history regarding the planning for a hotel and parking ramp at PMR&C: The Board has been master planning the facility since casino gaming was added in 1995. PMR&C started looking at these two areas in earnest as they were working on completing the 2006 expansion. Mr. Neugent stated that as PMR&C has studied the need, type and location of the hotel, they have engaged consultants to help them with the process; Snyder Engineering in Ankeny serves as the primary consultant for the physical engineering of the site and facility design, but has also helped with the due diligence in obtaining input from other consultants and studies.

Mr. Neugent provided the following highlights of the HVS study:

- The hotel should be designed to be a part of the existing facility; not a separate structure,
- Should be approximate to the existing Meadows Meeting and Convention facility. HVS has stated the hotel would need additional breakout rooms to help compliment PMR&C's existing convention facilities as the current breakout room ratio is inadequate for the size of their meeting room.

- Based on the Des Moines market, the hotel would need the following amenities at a minimum: fitness facility, possibly a full-service restaurant/lounge, and business center. The study also indicated the hotel would not need a spa, but PMR&C is looking at that as part of the entertainment/leisure options available to the guests.
- HVS indicated the hotel should have 200-300 rooms, but included the caveat that without gaming patrons that would stay overnight and generate incremental additional gaming profits, a hotel by itself for the transient convention business would not be justified.

Mr. Neugent stated that HVS has advised that the viability of the hotel would be closely tied to the Board's decisions and strategy in pricing the hotel rooms, and marketing the property to the gaming patron. In order to make that determination, HVS recommended PMR&C conduct a survey of their patrons and the gaming community in central Iowa to determine how many rooms would be booked. He indicated that a copy of the report has not been distributed as he just received the report and the committee has not had an opportunity to review it. HVS has concluded that there is a demand for hotel rooms; that the rooms should be priced in the mid-scale range with limited service; that play exceeding five or more hours would increase significantly with the addition of a hotel (which would lead to an increase in gaming revenue), and that the room night demand by casino patrons would be approximately 46,500 room nights per year. Mr. Neugent stated that the HVS study distributed indicated that in order for a hotel to be financially feasible, PMR&C would need approximately 30,300 room nights, thus showing there is a demand and helping to assure PMR&C that a hotel would be financially feasible. He indicated the committee and Board still need to do additional review to determine the price point for the hotel rooms.

Mr. Neugent concluded his remarks by stating that the committee is moving forward and has determined that a hotel will be viable. He advised that the committee has made a recommendation to the full Board that the hotel should consist of 200 rooms with the ability to expand on-site. Based on all of the consulting information and studies and with the guidance of Snyder Engineering, and the hotel committee's recommendation, the Board has approved a 200-room hotel and a 1,000-car parking ramp. This structure will increase PMR&C's parking capacity by 880 cars as its footprint will take up the current capacity of 120 cars.

Mr. Neugent stated that the next issue facing the committee is the ownership structure of the hotel. The committee has determined there are three potential ownership/management structures that merit investigation: 1) PMR&C would own and operate the hotel; 2) have the hotel constructed and owned by PMR&C and contract with an outside hotel operator, and 3) have the hotel owned and operated by an outside operator pursuant to a sublease on PMR&C property with an operating agreement. He also indicated there is the possibility of a joint venture for the ownership. Additional issues facing the committee in making their recommendations to the full Board are financing, hotel operators, PMR&C's lease with Polk County that expires in 2010, getting consent from Polk County for modifications to the lease to allow longer-term

financing for a hotel, and design an operating agreement if they elect to go with an outside operator setting out corroboration of meeting space, the reserving of rooms for casino use, and insure continuous operation. Mr. Neugent stated that if PMR&C decided to go with an outside operator, they would insist on the option to purchase the property down the road. He advised that the committee has been attempting to garner information about hotel operations and the various issues involved, and have met with three Iowa-based hotel operators to date - Kehl Management Group, Heart of America and Kinseth Hospitality – to get their thoughts and determine their level of interest in a facility at PMR&C. The committee plans to meet with one or two more Iowa hotel operators.

Mr. Neugent stated the committee plans to make a recommendation to the full Board sometime during the first quarter as to the ownership and management structure of the proposed facility. Discussions with Polk County will commence with regard to the lease issues previously mentioned. They hope to have the Request for Qualifications and/or a Request for Proposal developed by April 30th for approval by the full Board, which would then be sent out to interested qualified operators, and then between May and June 30th have the requests out and begin negotiations with the potential operators. Mr. Neugent stated that PMR&C would like to begin construction by the end of 2009. Depending on lease and referendum issues, the latest start would be the spring of 2011 if PMR&C is unable to get the lease in a form that would be acceptable to the potential operator. Mr. Neugent indicated that construction of the parking structure, which is important as an amenity but does not produce revenue directly, probably would not commence until spring 2011.

Commissioner Urban voiced her opinion that the Commission as a whole is pleased to see some headway made in terms of a hotel. She encouraged PMR&C to speed up the process if possible as she feels it will make a big difference for the casino and horse racing.

Commissioner Cutler asked what impact the referendum would have on the process; she interpreted Mr. Neugent's comments to indicate that PMR&C is not free to do anything until that date has come and gone. Mr. Neugent indicated that PMR&C's lease expires in 2010. Should PMR&C elect to go with an outside hotel operator, they would need to obtain a lease extension or sub-lease from the landlord to allow a long-term lease of the hotel property. He indicated preliminary discussions on some of the issues have been held, and he believes they can be resolved. Mr. Neugent stated that he did not think the financing in the private sector for a private hotel operation would be held up by the referendum. If a private operator is the Board's selection to operate the hotel, PMR&C anticipates commencing construction prior to the referendum.

Chair Seyfer asked if any meetings had been set up with Polk County at this time. Mr. Neugent answered in the negative, noting general discussions have been held with a couple of the supervisors. He stated that Polk County is aware that PMR&C will be approaching them regarding the hotel and parking structure.

Mr. Ketterer asked if the delay in the parking structure is due to funding. Mr. Neugent answered in the affirmative. He indicated that what he presented is the committee's recommendation, and is not necessarily what the full board will elect to do.

Chair Seyfer called on Tom Whitney, Chair of the PMR&C Horse Committee and a board member.

Mr. Ketterer read the following excerpt from a letter received from Jack Bishop, former Chair of the PMR&C Board, dated January 7, 2008: "It is the Board's hope and goal that live racing can become more self-sustaining. To that end, it will continue to evaluate (i) whether it has too many or too few racing days and what are the best days of the week for racing, (ii) whether races need to be written for larger fields, (iii) whether more Iowa-bred races should be written and more of the purses should be devoted to Iowa-conceived and foaled horses, (iv) what should be the amounts for claiming races, (v) how the wagering pools (exotic or otherwise) can be improved, and (vi) such other matters as deemed essential to improve the overall live experience at PMR&C."

Mr. Ketterer, noting that it had been one year since the above-referenced letter had been written, asked what has been accomplished in the past year.

Mr. Whitney stated that he had never seen the letter from which Mr. Ketterer just read, but recalled that the letter was precipitated by Mr. Ketterer inquiring about the Board's intentions regarding racing in the future at the facility. He indicated it was the Board's dissatisfaction with the response that led to the appointment of the horse committee for the purpose of pursuing the issues set forth above, as well as other issues requiring a response.

Mr. Whitney stated that due to the lack of direction by the Board of Directors with regard to the issue of horses in general, PMR&C has not done a very good job in certain areas; noting that PMR&C has never definitively stated that they are going to subsidize horse racing now, and perhaps indefinitely. In doing so, PMR&C shows that they are unique and different from the other facilities because of the racing, and need to determine at what level they should be subsidizing horse racing and what the racing season should look like at PMR&C.

Mr. Whitney stated that in a previous appearance before the Commission he was advised to keep the Commission updated on a regular basis via monthly communication. He indicated the Commission would receive a letter or memorandum each month from him setting forth the actions of the horse committee. Mr. Whitney advised the committee is somewhat behind his own schedule due to the holidays, and changes on the Board and in leadership at PMR&C, but does not feel that will change the date on which the final report will be submitted to the full Board in May or June. During the most recent meeting of the committee, meetings for the next several months have been established. On January 24th, the committee will be interviewing and hiring a consultant to assist the committee. Additionally, Mr. Palmer has assigned individuals from staff to work with

the committee on a day-to-day basis to insure that the committee's goals are reached in a timely fashion. Mr. Whitney stated that he expects the horse committee to address all of the issues set forth in the January 7, 2008 letter as well as others.

Commissioner Cutler asked if there were any horsemen on the horse racing committee. Mr. Whitney answered in the affirmative, noting that the new committee members would be appointed by the Chair of the full board at this month's meeting. Mr. Whitney advised that Board members have term limits, and Jack Peters' term, the former horsemen's representative, expired. He indicated there would be, at a minimum, one experienced horseman on the committee.

Mr. Ketterer noted that he met with Tom Flynn, legal counsel for PMR&C, and Mr. Galloway. Mr. Ketterer stated that Mr. Galloway is committed to helping move this process along and give the committee the support needed; and on the flip side, Commission members have advised him of their intent to have something by this spring or summer. He pointed out that Dr. Thalheimer's study pointed out the importance of stability in the horse racing industry.

Mr. Palmer stated that PMR&C experienced a record year last year, but that 2009 is a question mark and there is no way to determine if it is the weather or economy. He indicated that if the storms would come early in the week instead of the weekends, they might be able to make a determination. Mr. Palmer stated that to date 2009 has been very different from what they are used to.

Commissioner Urban, noting that an update on the track surface had been distributed, asked Mr. Palmer to explain to the Commission what was done to the track surface for the 2008 racing season. Mr. Palmer advised that PMR&C installed a new dirt surface for 2008. Commissioner Urban asked if the old surface was removed. Mr. Palmer answered in the affirmative. Commissioner Urban then asked what was put down instead, noting that Commission members had had a discussion concerning the track surface and they were all trying to get on the same page. Mr. Palmer stated it was replaced with new dirt and surface materials. Commissioner Cutler asked if the materials came from outside Iowa, and whether it included new "pebbles". Mr. Palmer stated that the track maintenance personnel are having a difficult time finding the correct mixture that PMR&C has used for many years. He thought some of the materials came from the Sioux City area and some of the aggregate was received from Hallett Materials. He stated the surface appears to be doing a pretty good job; that some corrections were made during the mixed meet after the thoroughbred races.

Commissioner Urban asked if casualties remained about the same. She stated it was her understanding there was one more catastrophic injury in 2008 than 2007. Mr. Palmer answered in the affirmative.

Chair Seyfer moved to Public Comment. As no one had signed up, Chair Seyfer stated there would be a ten-minute break prior to addressing the remaining agenda items.

Following the break, Chair Seyfer moved to the appeal of an Administrative Law Judge's (ALJ) Decision filed by Ray Tracy. Neither Mr. Tracy nor his legal counsel, Rick Olson, was present. David Van Compernelle, Assistant Attorney General, stated that Commission members should have copies of the appeal, ALJ Decision, and briefs filed by Mr. Olson and himself.

Mr. Van Compernelle stated that the case involves a race on May 4, 2008 in which Mr. Tracy was the trainer of the horse "Timeaftertimeafter", who finished second in the race. According to the Commission's rules and policies, the horse was required to report to the test barn for drug testing. "Timeaftertimeafter" did not report to the test barn, and consistent with other decisions when that has occurred, Mr. Tracy was fined \$200 and the purse money was forfeited. Mr. Van Compernelle noted that Mr. Tracy is a seasoned trainer, and has been racing and training horses for quite some time. During the hearing before the stewards, Mr. Tracy admitted that he knew the rules and knew that the trainer is ultimately responsible for violations of the rules; therefore, the factual information is largely undisputed. Mr. Van Compernelle informed the Commission members that the rule is contained in a small handbook that is given to all horsemen, trainers, and jockeys. He stated that the rule specifically states that all first and second place finishers must report to the test barn. Mr. Van Compernelle stated that a meeting is held with the HBPA individuals where the rule is reiterated, and minutes of the meeting are posted outside the Stewards' Office. He indicated that he did not think there could be any dispute that Mr. Tracy was not aware of the rule, knew the rule and that it was violated.

Hearing no discussion, Chair Seyfer called for a motion concerning the appeal of the Administrative Law Judge's Decision by Mr. Tracy to the Commission. Commissioner Urban moved to uphold the Decision of the Administrative Law Judge concerning Ray Tracy. Commissioner Cutler seconded the motion, stating that she felt it was very clear as to the requirements and responsibilities of Mr. Tracy.

Hearing no further comments, Chair Seyfer called for the vote. The motion carried unanimously. (See Order No. 09-12)

Chair Seyfer moved to Administrative Business. As there was none, Chair Seyfer requested a motion to adjourn. Commissioner Cutler so moved. Commissioner Urban seconded the motion, which carried unanimously.

MINUTES TAKEN BY:

JULIE D. HERRICK